

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)

AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2008

DATE RECEIVED:



AUDIT REVIEW #(s) 04437

Assigned To: ln

Date Reviewed: 1/29/09

Reviewer's Initials: jl

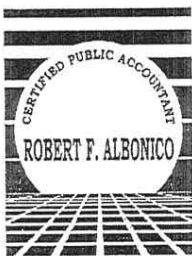
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FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
SEPTEMBER 30, 2008

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## FINANCIAL SECTION



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Feather River Tribal Health, Inc.  
2145 Fifth Avenue  
Oroville, CA 95965

I have audited the accompanying statement of financial position of Feather River Tribal Health, Inc. (a nonprofit corporation) as of September 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Feather River Tribal Health, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from Feather River Tribal Health, Inc.'s 2007 financial statements and, in my report dated December 19, 2008, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feather River Tribal Health, Inc., as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 9, 2009, on my consideration of Feather River Tribal Health, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

FEATHER RIVER TRIBAL HEALTH, INC.  
 (A NONPROFIT CORPORATION)  
 STATEMENT OF FINANCIAL POSITION  
 SEPTEMBER 30, 2008  
 (WITH COMPARATIVE TOTALS FOR 2007)

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Totals	
				2008	2007
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 6,548,372	\$ 204,318		\$ 6,752,690	\$ 6,243,028
Accounts receivable	643,685			643,685	464,578
Contracts receivable					340,369
Travel advances	1,921			1,921	13,119
Deposits	27,800			27,800	10,657
Other assets	41,378			41,378	46,078
Total Current Assets:	7,263,156	204,318		7,467,474	7,117,829
Property and equipment	10,435,479		4,613	10,440,092	8,380,207
Total Assets	17,698,635	204,318	4,613	17,907,566	15,498,036
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities:					
Accounts payable	21,708			21,708	120,566
Accrued payroll	131,070			131,070	83,060
Accrued vacation	178,090			178,090	158,670
Payroll taxes payable	8,999			8,999	5,442
Pension plan payable	15,373			15,373	3,510
Deferred contract funds		204,318		204,318	
Loans payable, current portion	160,117			160,117	121,415
Total Current Liabilities	515,357	204,318		719,675	492,663
Long-Term Liabilities:					
Loans payable	8,316,774			8,316,774	6,593,688
Total Long-Term Liabilities	8,316,774			8,316,774	6,593,688
Total Liabilities	8,832,131	204,318		9,036,449	7,086,351
Net Assets	8,866,504		4,613	8,871,117	8,411,685
Total Liabilities and Net Assets	\$ 17,698,635	\$ 204,318	\$ 4,613	\$17,907,566	\$ 15,498,036

See accompanying notes to the financial statements.

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR 2007)

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Totals	
				2008	2007
REVENUES AND OTHER SUPPORT:					
Restricted Revenues and Other Support:					
Federal support		\$5,791,617		\$ 5,791,617	\$ 5,231,496
State support		296,465		296,465	558,529
Other support		63,620		63,620	74,675
Program/in-kind services		6,579		6,579	6,579
Total Restricted Revenues and Other Support:		6,158,281		6,158,281	5,871,279
Unrestricted Revenues and Other Support:					
Program services	4,057,515			4,057,515	3,419,657
Interest	216,114			216,114	352,492
Miscellaneous revenue	14,983			14,983	17,726
Occupancy reimbursements	22,592			22,592	18,316
Donations	3,476			3,476	1,793
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	6,158,281	(6,158,281)			
Total Unrestricted Revenues and Other Support	10,472,961	(6,158,281)		4,314,680	3,809,984
TOTAL REVENUES AND OTHER SUPPORT	10,472,961			10,472,961	9,681,263
EXPENSES:					
Program services	7,872,716			7,872,716	7,410,145
General and administrative expenses	2,140,813			2,140,813	2,076,101
TOTAL EXPENSES	10,013,529			10,013,529	9,486,246
Excess of revenues over expenses before other changes in net assets	459,432			459,432	195,017
Donated assets					182,075
CHANGE IN NET ASSETS	459,432			459,432	377,092
NET ASSETS, BEGINNING OF YEAR	8,407,072		4,613	8,411,685	8,034,593
NET ASSETS, END OF YEAR	\$ 8,866,504		\$ 4,613	\$ 8,871,117	\$ 8,411,685

See accompanying notes to the financial statements.

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR 2007)

	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Totals	
				2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received	\$ 3,808,158	\$ 6,702,968		\$ 10,511,126	\$ 9,331,538
Cash payments to suppliers	(1,749,392)	(4,017,028)		(5,766,420)	(5,471,746)
Cash payments to employees	(1,748,087)	(2,141,253)		(3,889,340)	(3,751,511)
Interest received	216,114			216,114	352,492
Net cash provided by operating activities	526,793	544,687		1,071,480	460,773
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisitiuon of capital assets	(2,323,606)			(2,323,606)	(127,703)
Net cash used by investing activities	(2,323,606)			(2,323,606)	(127,703)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Reduction of long-term debt	(122,253)			(122,253)	(111,850)
Proceeds from long-term debt	1,884,041			1,884,041	
Net cash used by financing activities	1,761,788			1,761,788	(111,850)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(35,025)	544,687		509,662	221,220
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,583,397	(340,369)		6,243,028	6,021,808
CASH AND CASH EQUIVALENTS AT END OF YEAR	6,548,372	204,318		6,752,690	6,243,028
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Change in net assets	459,432			459,432	377,092
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Depreciation	263,721			263,721	245,729
Donated assets					(182,075)
Decrease (increase) in accounts receivable	(179,107)			(179,107)	51,666
Decrease (increase) in contracts receivable		340,369		340,369	(77,081)
Decrease (increase) in travel advances	11,198			11,198	1,555
Decrease (increase) in deposits	(17,143)			(17,143)	9,773
Decrease (increase) in other assets	4,700			4,700	(2,550)
Increase (decrease) in accounts payable	(98,858)			(98,858)	20,959
Increase (decrease) in accrued payroll	48,010			48,010	(1,649)
Increase (decrease) in accrued vacation	19,420			19,420	15,431
Increase (decrease) in payroll taxes payable	3,557			3,557	(186)
Increase (decrease) in pension plan payable	11,863			11,863	2,109
Increase (decrease) in deferred contract funds		204,318		204,318	
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 526,793	\$ 544,687		\$ 1,071,480	\$ 460,773

See accompanying notes to the financial statements.

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Feather River Tribal Health, Inc. (FRTH) was incorporated in 1999 under the laws of the State of California and provides comprehensive health care services to the Native-American population located primarily in Butte, Sutter, and Yuba Counties of California.

FRTH'S main sources of revenue are federal and state grants and contracts, private insurance patient service billings, IHS/MOA Medi-cal, and FQHC Medicare patient billing reimbursements, for services provided in Butte, Sutter, and Yuba Counties of California.

Income Tax Status

The Internal Revenue Service has ruled that, pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code) FRTH is exempt from Federal income taxes and is a publicly supported organization as defined in Section 509(a)(1) of the Code. As a not-for-profit organization, FRTH is also exempt from state income taxes under Section 23701(d) of the State of California Revenue and Taxation Code.

Basis of Accounting

The financial statements of FRTH have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year comparative summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2007, from which the summarized information was derived.

FEATHER RIVER TRIBAL HEALTH, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, FRTH considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. FRTH provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received within the contractual terms. It is FRTH's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 are capitalized, except computer equipment. All computer equipment is expensed in the year of acquisition. Property and equipment are carried at cost if purchased or, if donated, at the approximate fair value at the date of the gift, less accumulated depreciation and amortization. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, generally five years. Buildings are depreciated over a forty year useful life. Assets purchased with funds received from grants in which the grantor retains a reversionary interest in the assets at the end of the grant period are expensed in the year of acquisition.

Pre-acquisition, acquisition, development, and construction costs associated with real estate development and construction activities are capitalized when incurred. Interest costs are capitalized when incurred where proceeds were used to finance the above-mentioned costs.

Deferred Revenue

Deferred revenue is primarily comprised of funds received from contracts and grants that will be recorded as revenue when eligible costs have been incurred.

Concentration of Accounts Receivable

Accounts receivable amounts are due mainly from third party payors such as Medi-Cal, Medicare, and private health insurance companies. Amounts not collected from third party payors on receivables of eligible patients are written off to revenue adjustment accounts.

Concentration of Sources of Revenue

Approximately 53 percent of FRTH's total revenue was provided by the Department of Health and Human Services, Indian Health Service and 39 percent of FRTH's total revenue was provided by private insurance patient service billings and IHS/MOA Medi-cal and FQHC Medicare patient billing reimbursements for services provided in Butte, Sutter, and Yuba counties of California.

FEATHER RIVER TRIBAL HEALTH, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenue

Unrestricted funds received for FRTH's programs are recognized as support when received. Federal contract and grant awards, State grant awards, and other supports restricted by the funding agencies for specific purposes are recognized as support to the extent of related expenses incurred in compliance with the specific restrictions. The unexpended funds are reported as deferred revenue on the statement of financial position.

Donated Services

No amounts have been reflected in the financial statements for donated services. FRTH generally pays for all services requiring specific expertise. However, some individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and various committee assignments. Management estimates the fair value of these services to an immaterial amount.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with presentation in the current-year financial statements.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the entity, the accounts of the entity are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

NOTE 2 - ADVERTISING

FRTH uses advertising to promote its locations and services. The cost of advertising is charged to an expense as incurred.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Feather River Tribal Health, Inc. maintains its demand deposits at three financial institutions located in Oroville, CA. However, deposits at these financial institutions at times exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$100,000. As of September 30, 2008, all demand deposits were covered by FDIC insurance or fully collateralized by the financial institutions.

FEATHER RIVER TRIBAL HEALTH, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 4 - PATIENT ACCOUNTS RECEIVABLE

Revenues and receivables are recorded at the gross amount of the billing. Accounts receivable are due mainly from third party payors such as Medi-Cal, Medicare, and private health insurance companies. The mix of receivables from patients at September 30, 2007 and 2008 is as follows:

	<u>9/30/07</u>	<u>9/30/08</u>
Medical	\$ 318,377	\$ 396,635
Medicare	44,184	148,452
Patient private insurance	104,193	134,538
Self-pay patients	30,556	32,217
Allowance for Doubtful Accounts	(32,732)	(68,157)
TOTAL PATIENT ACCOUNTS RECEIVABLE, NET	<u>\$ 464,578</u>	<u>\$ 643,685</u>

NOTE 5 - ALLOWANCE FOR DOUBTFUL ACCOUNTS

FRTH uses the allowance method for recording uncollectible accounts receivable balances. It is FRTH's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The accounts receivable have been reported net of an allowance for doubtful accounts of \$68,157.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and Equipment at September 30, 2007 and 2008, consist of:

	<u>9/30/07</u>	<u>9/30/08</u>
UNRESTRICTED:		
Furniture & Equipment	\$ 580,920	\$ 590,783
Land - Oroville, CA	626,743	626,743
Building - 2145 Fifth Ave., Oroville, CA	8,712,525	8,712,525
Building - 2145 Fifth Ave., Oroville, CA	103,019	2,416,763
Accumulated Depreciation	(1,647,613)	(1,911,335)
	<u>8,375,594</u>	<u>10,435,479</u>
PERMANENTLY RESTRICTED:		
STATE - CA DHS #06-55467	4,613	4,613
	<u>4,163</u>	<u>4,613</u>
TOTAL PROPERTY AND EQUIPMENT	<u>\$8,380,207</u>	<u>\$10,440,092</u>

Depreciation expense for the years ended September 30, 2007 and 2008 was \$245,729 and \$263,721, respectively.

NOTE 7 - LOANS PAYABLE

FRTH has three loans that were used to construct and expand an office and clinic facility, located at 2145 Fifth Avenue, Oroville, CA. These notes are secured by the land and buildings. FRTH's obligations under these loans consist of the following:

FEATHER RIVER TRIBAL HEALTH, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 8 - LOANS PAYABLE (continued)

USDA, Farmer's Administration (USDA), 4.50% fixed interest rate, due in monthly installments of \$18,000 including interest, through May 28, 2042, secured by a Deed of Trust on the land and building, located at 2145 Fifth Avenue, Oroville, CA. The balance of the loan as of September 30, 2008 was \$3,736,890. The total initial loan amount was \$4,000,000. A cash reserve account based on an \$1,800 monthly payment is required. The balance of the reserve account as of September 30, 2008 was \$113,400.

Bank of America (BoFA), 6.75% variable interest rate, determined by the interest rate of U.S. Treasury Bonds, adjusted every ten years, due in monthly installments of \$22,519, including interest, through July 1, 2027, secured by a Deed of Trust on the land and building, located at 2145 Fifth Avenue, Oroville, CA. The balance of the note as of September 30, 2008 was \$2,855,960. The total initial loan amount was \$3,230,000. The unpaid loan balance is guaranteed by USDA Farmer's Administration.

Tri-Counties Bank of (TCB), 6.75% variable interest rate, determined by the interest rate of U.S. Treasury Bonds, plus a margin of 2.25%, adjusted every ten years, due in monthly installments of \$17,425, including interest, starting on December 27, 2008 through November 27, 2033, secured by a Deed of Trust on the land and building, located at 2145 Fifth Avenue, Oroville, CA. The balance of the note as of September 30, 2008 was \$1,884,041. The total loan amount was increased to \$2,325,156 by November 27, 2008. The unpaid loan balance is guaranteed by USDA Farmer's Administration.

The future scheduled maturities of long-term debt are as follows:

Year ending September 30:

	USDA	B of A	TCB	TOTAL
2009	\$ 48,542	79,375	\$ 32,200	\$ 160,117
2010	50,776	84,918	41,041	176,735
2011	53,113	90,847	46,599	190,559
2012	55,106	96,698	50,361	202,165
2013	58,093	103,942	53,928	215,963
After 2013	3,471,260	2,400,180	1,659,912	7,531,352
TOTAL LONG-TERM DEBT	<u>\$3,736,890</u>	<u>\$2,855,960</u>	<u>\$1,884,041</u>	<u>\$8,476,891</u>

Interest expense for the years ended September 30, 2007 and 2008 was \$374,373 and \$363,971, respectively. In 2008, \$79,123 of interest paid and other loan costs were capitalized.

FEATHER RIVER TRIBAL HEALTH, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 9 - VACATION, SICK LEAVE, AND OTHER COMPENSATED ABSENCES

All regular employees are entitled to accrue vacation and sick leave. Vacation leave accruals are based on length of employment and full-time equivalency status and may not accumulate in excess of an employee's annual vacation amount. Sick leave is accrued at a rate of eight days per year based on full-time equivalency status and may not accumulate in excess of 240 hours. All accumulated vacation is paid upon separation of service with Feather River Tribal Health, Inc. and unused sick leave is forfeited. The accrued vacation liability as of September 30, 2008 was \$178,090.

NOTE 10 - CASH BALANCE IN TEMPORARILY RESTRICTED FUND

FRTH's Temporarily Restricted Fund had a cash surplus of \$204,318 due to grant expenditures being less than the grant cash balances in the bank. This condition is temporary as the cash surplus was expended in October, 2008.

NOTE 11 - EMPLOYEE PENSION PLANS

Employees of FRTH are not covered by a defined benefit or a defined contribution retirement plan. All full-time employees are eligible to participate in a 401-k pension plan and become fully vested after six years. FRTH matches up to 3% of each employee's contribution based on the gross wages of each employee. Employee pension expense for the year ended September 30, 2007 and 2008 was \$71,267 and \$81,795, respectively.

NOTE 12 - INDIRECT COSTS

FRTH has negotiated a provisional indirect cost rate of 35.1% with the U.S. Department of Health and Human Services, the organization's federal oversight agency. Total direct costs, less items of equipment and other capital expenditures, subawards, and hospitalization and other fees related to patient care, make up the direct cost base to which the indirect cost rate is applied.

NOTE 13 - LEASES

A lease agreement has been entered into for office and clinic space located in Yuba City, CA. The following is a schedule by years of future minimum lease payments required that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2008:

FEATHER RIVER TRIBAL HEALTH, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 13 - LEASES (continued)

Year ending September 30:	
2009	\$ 64,800
2010	64,800
2011	43,200
Total minimum payments required	<u>\$ 172,800</u>

The organization has leased office equipment under operating leases. The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2008:

Year ending September 30:	
2009	\$ 8,599
2010	8,600
2011	4,620
2012	497
Total minimum payments required	<u>\$ 22,316</u>

Rental expense for the years ended September 30, 2007 and 2008 was \$105,983 and \$110,791, respectively.

NOTE 14 - DESCRIPTION OF PROGRAMS

INDIAN HEALTH SERVICE - Comprehensive health services are provided to the Native-American population primarily in Butte, Sutter, and Yuba Counties including direct patient care, prenatal care, immunizations, health promotion, disease prevention, substance abuse, mental health, and education/prevention programs.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Indian Health Service - Special Diabetes Programs for Indians) - This program provides diabetes detection, management and lifestyle education, and testing services to the Native-American population primarily in Butte, Sutter, and Yuba Counties of California.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Substance Abuse and Mental Health Service Administration (SAMHSA), passed through Butte County) - Funding was provided to expand the availability of effective substance abuse treatment and recovery services to patients of FRTH.

U.S. DEPARTMENT OF JUSTICE, STATE OF CALIFORNIA OHS/OES - (FOCIS Program) A grant was received through the Office of Homeland Security/Office of Emergency Services (OHS/OES) of the State of California to develop and strengthen effective law enforcement and prosecution strategies to combat violent crimes against Native-American women and to develop and strengthen victim services in cases involving crimes against Native-American women.

FEATHER RIVER TRIBAL HEALTH, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 14 - DESCRIPTION OF PROGRAMS (continued)

U.S. DEPARTMENT OF JUSTICE, STATE OF CALIFORNIA OHS/OES - (CHAT Program)  
A grant was received through the Office of Homeland Security/Office of Emergency Services (OHS/OES) of the State of California to provide therapy and other services to identified Native-American children who are victims or survivors of physical, mental, or sexual abuse.

FEDERAL EMERGENCY MANAGEMENT FOOD AND SHELTER PROGRAM (FEMA) - Provides assistance to supplement and expand ongoing efforts to provide shelter, food, and supportive services for needy families and individuals.

STATE OF CALIFORNIA, DEPARTMENT OF HEALTH SERVICES, INDIAN HEALTH PROGRAM (SB-1117) - Provides medical, dental, and community health service programs to the Native-American patients of Feather River Tribal Health, Inc.

CALWORKS GRANT - Funds were awarded through the California Department of Alcohol and Drug Programs to provide mental health and substance abuse services to eligible patients of Indian health clinics such as FRTH.

BLUE SHIELD FOUNDATION - Funding was provided to expand the general charitable purposes of FRTH.

NOTE 15 - NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from program restrictions by incurring expenses satisfying the restricted purposes specified by the Federal, State, and other grantors.

	<u>9/30/07</u>	<u>9/30/08</u>
Federal support:		
IHS #HHSI235-2006-00020-C	\$ 4,435,768	\$4,969,219
IHS Diabetes #5H1D4100121-10	383,427	
IHS Diabetes #5H1D4100121-11		383,427
Dept. Of Justice CA OHS/OES #IN08061660	104,141	
Dept. Of Justice CA OHS/OES #IN09071660		104,141
Dept. Of Justice CA OHS/OES #NA06031660	125,000	
Dept. Of Justice CA OHS/OES #NA07031660		122,672
SAMHSA CCOC Butte County X16253	179,568	140,274
SAMHSA CCOC Butte County X		67,884
FEMA United Way Phase 25	3,592	
FEMA United Way Phase 26		4,000
Total Federal support released	<u>5,231,496</u>	<u>5,791,617</u>

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE 15 - NET ASSETS RELEASED FROM RESTRICTIONS (continued)

State support:		
CA DHS SB-1117 #06-55467	181,628	
CA DHS SB-1117 #06-55467 A01	59,352	178,053
CA DHS SB-1117 #06-55467 A02		62,063
CA CHFFA - Oroville	184,550	
CA CHFFA - Yuba City	78,656	128
CA CalWorks IHP-06-0005	42,925	
CA CalWorks IHP-07-0005	11,418	42,532
CA CalWorks IHP-08-0005		13,689
Total State support released	<u>558,529</u>	<u>296,465</u>
Other support:		
Butte County Probation	44,675	27,530
Butte County Child Abuse Prevention		1,069
UC Davis		5,021
Blue Shield Foundation	<u>30,000</u>	<u>30,000</u>
Other support released	<u>74,675</u>	<u>63,620</u>
Donations/Program income:		
CA OCJP #AT06031660	<u>6,579</u>	<u>6,579</u>
Total Donations/Program income released	<u>6,579</u>	<u>6,579</u>
TOTAL SUPPORT RELEASED	<u>\$5,871,279</u>	<u>\$6,158,281</u>

NOTE 16 - PROGRAM SERVICES

The following amounts were expended to provide services to the patients of FRTH:

	<u>9/30/07</u>	<u>9/30/08</u>
Health Care Program	\$3,527,848	\$4,069,543
Diabetes Program	383,427	383,427
Women's Violence Program	104,141	104,141
Child Abuse Program	131,579	129,251
CCOC Program	179,568	208,158
Emergency Food Program	3,592	4,000
CA Health Care Program	240,980	240,116
CA CHFFA Program	263,206	128
CA CalWorks Program	54,343	56,221
Butte County Program	44,675	28,599
UC Davis Obesity Program		5,021
Blue Shield Program	30,000	30,000
Third Party Program	<u>2,446,786</u>	<u>2,614,111</u>
TOTAL PROGRAM SERVICES	<u>\$7,410,145</u>	<u>\$7,872,716</u>

SUPPLEMENTARY INFORMATION

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE TOTALS FOR 2007

	CA DHS SB-1117 06-55467 A01 / 06-55467 A02	CA DADP CALWORKS IHP-07-0005 IHP-08-0005	CA CHFEA YURA CITY	TOTAL STATE EXPENSES	BUTTE CO CPA 2000 X14980	CHILD ABUSE PREVENTION COUNCIL OF BUTTE COUNTY	UNIVERSITY OF CALIFORNIA, DAVIS #SUB0700161
Salaries	\$ 174,366	\$ 29,852		\$ 204,218	\$ 19,967	\$ 855	
Payroll Taxes							
Fringe Benefits	30,441	8,955		39,396	6,389	214	
Retirement Plan							
Operating Supplies	9,000			9,000	701		4,021
Office Supplies		4,071		4,071			
Patient Care							
Pharmacy							
Food							
Postage & Freight							
Communications	11,803			11,803			100
Advertising / Publicity							
Recruitment							
Janitorial Service							
Uniforms/Laundry	14,506			14,506			
Utilities							
Publications & Periodicals							
Building Maintenance							
Equipment Maintenance							
Auto Operation		4,032		4,032			
Professional Services		8,647		8,647			
Insurance							
Accounting Services							
Legal Services							
Outside Lab							
License and Fees							
Honorariums		664		664	473		734
Travel & Training							
Space Rent							
Leases							
Equipment Purchases			128	128			
Vacation Expense							
Meeting Costs							
Miscellaneous Expenses							166
Construction Work Services							
Interest Expense							
In-Kind Expense							
Nutrition Program							
Indirect Costs							
Depreciation							
TOTAL EXPENSES	\$ 240,116	\$ 56,221	\$ 128	\$ 296,465	\$ 27,530	\$ 1,069	\$ 5,021

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008  
WITH COMPARATIVE TOTALS FOR 2007

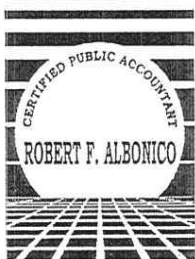
	BLUE SHIELD #1950678	TOTAL OTHER EXPENSES	TOTAL EXPENSES - ALL SOURCES	THIRD PARTY COSTS	INDIRECT COST POOL	2008	2007
Salaries	\$ 14,850	\$ 35,672	\$ 2,141,253	\$ 1,830,937	\$ 815,613	\$ 4,787,803	\$ 4,522,460
Payroll Taxes			128,385	168,732	62,231	359,348	344,454
Fringe Benefits	3,710	10,313	393,073	114,884	101,925	609,882	624,896
Retirement Plan			5,690	62,859	13,246	81,795	71,267
Operating Supplies	2,775	7,497	111,553	54,263		165,816	192,413
Office Supplies			11,102	47,365	45,069	103,536	132,650
Patient Care			1,129,782			1,129,782	1,272,315
Pharmacy			303,416	527		303,943	104,528
Food			13,533			13,533	13,992
Postage & Freight			507	71	12,911	13,489	13,664
Communications		100	59,543		7,546	67,089	60,684
Advertising / Publicity					7,487	7,487	20,393
Recruitment				1,305	1,113	2,418	9,993
Janitorial Service				7,860	72,240	72,240	65,668
Uniforms/Laundry						7,860	6,842
Utilities			101,597		26,973	128,570	125,341
Publications & Periodicals				1,245	308	1,553	1,364
Building Maintenance			385,761	547	46,161	432,469	83,975
Equipment Maintenance			5,698	7,296	2,527	15,521	13,474
Auto Operation			4,032		21,821	25,853	30,952
Professional Services			212,337	195,407	46,949	454,693	333,061
Insurance					61,469	61,469	54,109
Accounting Services			2,000		7,075	9,075	16,200
Legal Services					12,504	12,504	13,465
Outside Lab				38,886		38,886	40,627
License and Fees			2,498	4,700	2,864	10,062	8,677
Honorariums	8,665	9,872	87,646	17,795	31,570	31,570	32,294
Travel & Training			81,434	485	49,839	155,280	130,717
Space Rent			9,342	6,806	5,034	86,953	88,704
Leases			54,389	12,226	7,690	23,838	17,279
Equipment Purchases					4,840	71,455	239,097
Vacation Expense					19,420	19,420	15,431
Meeting Costs		166	1,930	503	11,738	14,171	12,306
Miscellaneous Expenses			5,525	12,519	14,926	32,970	48,121
Construction Work Services							74,998
Interest Expense			6,579	6,579	364,003	364,003	374,373
In-Kind Expense				20,314		13,158	13,158
Nutrition Program			899,676	1,241,137		20,314	16,575
Indirect Costs					(2,140,813)		
Depreciation					263,721	263,721	245,729
TOTAL EXPENSES	\$ 30,000	\$ 63,620	\$ 6,158,281	\$ 3,855,248		\$ 10,013,529	\$ 9,486,246

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2008  
(WITH COMPARATIVE TOTALS FOR 2007)

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract/Grant Number	Pass-through Entity Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Community Facilities Loans and Grants	10.766	Case # 04-004-680440292		\$ 1,884,041
Total Direct Programs				<u>1,884,041</u>
Total U.S. Department of Agriculture				<u>1,884,041</u>
U.S. DEPARTMENT OF JUSTICE				
Pass-through programs from:				
California Office of Homeland Security and Office of Emergency Services:				
Indian Child Abuse	16.575		NA06 03 1660	122,672
Violence Against Women	16.588		IN07 04 1660	104,141
Total pass-through programs				<u>226,813</u>
Total U.S. Department of Justice				<u>226,813</u>
U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY				
Pass-through programs from:				
Emergency Food and Shelter National Board Board Program of the United Way:			Phase 26	
Emergency Food and Shelter Program	83.523		065400-016	4,000
Total pass-through programs				<u>4,000</u>
Total U.S. Federal Emergency Management Agency				<u>4,000</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Diabetes Program	93.237	H1D9400121-11		383,427
Tribal Health Program	93.441	HHSI235-2006-00020-C		4,969,219
Total direct programs				<u>5,352,646</u>
Pass-through programs from:				
State of California, Department of Drug and Alcohol Programs				
Temporary Assistance for Needy Families	93.558		IHP-07-0005	3,950
Butte County, Department of Behavioral Health				
Substance Abuse and Mental Health Services Administration	93.243		X17333	208,158
Total pass-through programs				<u>212,108</u>
Total U.S. Department of Health and Human Services				<u>5,564,754</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 7,679,608</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Feather River Tribal Health, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Robert F. Albonico  
Certified Public Accountant

1297 Saddlehorn Court

Minden, Nevada 89423

(775) 267-6956 • Fax (775) 267-6957

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Feather River Tribal Health, Inc.  
2145 Fifth Avenue  
Oroville, CA 95965

I have audited the financial statements of Feather River Tribal Health, Inc. as of and for the year ended September 30, 2008, and have issued my report thereon dated January 9, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Feather River Tribal Health, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Feather River Tribal Health, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Feather River Tribal Health, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

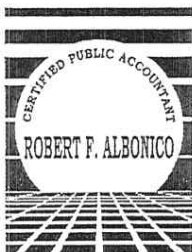
As part of obtaining reasonable assurance about whether Feather River Tribal Health, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robert F. Albonico*

Robert F. Albonico  
Certified Public Accountant

Minden, Nevada  
January 9, 2009



Robert F. Albonico  
Certified Public Accountant

1297 Saddlehorn Court

Minden, Nevada 89423

(775) 267-6956 • Fax (775) 267-6957

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Feather River Tribal Health, Inc.  
2145 Fifth Avenue  
Oroville, CA 95965

Compliance

I have audited the compliance of Feather River Tribal Health, Inc. with the types of compliance requirements described by the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2008. Feather River Tribal Health, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Feather River Tribal Health, Inc.'s management. My responsibility is to express an opinion on Feather River Tribal Health, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Feather River Tribal Health, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Feather River Tribal Health, Inc.'s compliance with those requirements.

In my opinion, Feather River Tribal Health, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of Feather River Tribal Health, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Feather River Tribal Health, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a

major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Feather River Tribal Health, Inc.'s internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-01 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

FRTH's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit FRTH's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robert F. Albonico*

Robert F. Albonico  
Certified Public Accountant

Minden, Nevada  
January 9, 2009

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

SECTION I: SUMMARY OF AUDITOR'S RESULTS

*FINANCIAL STATEMENTS*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Significant Deficiency(ies) identified  
that are not considered to be  
material weaknesses? \_\_\_\_\_ yes   x   none reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes   X   no

*FEDERAL AWARDS*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Significant Deficiency(ies) identified  
that are not considered to be  
material weaknesses?   X   yes \_\_\_\_\_ none reported

Type of auditor's report issued on  
compliance for major programs Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133? \_\_\_\_\_ yes   X   no

Major programs:

CFDA/Other Number(s)	Name of Federal Program or Cluster
CFDA # 93.441	U.S. Department of Health and Human Services, Indian Health Service, Tribal Health Program
CFDA # 93.237	U.S. Department of Health and Human Services, Special Diabetes Program for Indians
CFDA # 10.766	U.S. Department of Agriculture, Community Facilities Loans and Grants

Dollar threshold used to distinguish  
between type A and type B programs:   \$300,000  

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

SECTION II: FINANCIAL STATEMENT FINDINGS

There are no financial statement findings reported for the year ended September 30, 2008.

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal awards findings reported for the year ended September 30, 2007.

FINDING 08-01, ALLOWABLE COST PRINCIPLES

Federal Agency: U.S. Department of Health and Human Services

CFDA #93.441, Indian Health Service, Tribal Health Program  
Contract # HHSI235-2006-00020-C

CFDA # 93.237, Special Diabetes Program for Indians  
Grant # H1D9400121-11

CRITERIA - OMB Circular A-87 (A-87) establishes principles and standards for determining allowable direct and indirect costs for Federal awards. A-87 Attachment B, Section 8 Compensation for Personal Services, contains the following requirements. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on: (a) More than one Federal award, (b) A Federal award and a non-Federal award, (c) An indirect cost activity and a direct cost activity, (d) Two or more indirect activities which are allocated using different allocation bases, or (e) An unallowable activity and a direct or indirect cost activity. Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after-the-fact distribution of the actual activity of each employee, (b) They must account for the total activity for which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, and (d) They must be signed by the employee.

CONDITION - I noted that FRTH did not have internal control policies and procedures in place for complying with the cited A-87 allowable cost principles, above. I consider this to be a control deficiency over compliance with the allowable costs payroll certification requirement.

QUESTIONED COSTS - I did not find questioned costs as a result of this condition.

EFFECT - I noted that this condition poses a possible risk to FRTH that personnel costs subject to these criteria could be disallowed by the awarding federal agency.

FEATHER RIVER TRIBAL HEALTH, INC.  
(A NONPROFIT CORPORATION)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

CAUSE - FRTH'S management had not received training about the criteria noted above for compensation for personal services as cited in Attachment B of OMB Circular A-87.

RECOMMENDATION - FRTH should devise some method(s) for complying with these requirements. Some entities comply with these requirements by including both a certification of the program being charged and a requirement for the employee's certifying signature on the time cards or time records used to record employees' hours every pay period.

MANAGEMENT RESPONSE: See the Auditee Corrective Action Plan on pages twenty-eight and twenty-nine.

# **Feather River Tribal Health, Inc.**

*Sponsoring Tribes: Berry Creek Rancheria, Mooretown Rancheria & Enterprise Rancheria*

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Oroville Office  
2145 Fifth Avenue  
Oroville, CA 95965  
(530) 534-5394

Yuba City Office  
1231 Plumas Street  
Yuba City, CA 95991  
(530) 751-8454

## **CORRECTIVE ACTION PLAN**

**DATED: 1/9/09**

### **U.S. Department of Health and Human Services**

Feather River Tribal Health, Inc. respectfully submits the following corrective action plan for the year ended September 30, 2008.

#### **Name/Address of Independent Public Accounting Firm:**

Robert F. Albonico  
Certified Public Accountant  
1297 Saddlehorn Court  
Minden, NV 89423

**Audit Period:** October 1, 2007 – September 30, 2008

The findings from the September 30, 2008 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### **FINDINGS – FEDERAL AWARD PROGRAMS AUDITS**

Finding 08-01 – Allowable Cost Principles – Contract # HHSI235-2006-00020-C  
Grant # H1D9400121-11

#### **Recommendation:**

FRTH should devise some method(s) for complying with these requirements. Some entities comply with these requirements by including both a certification of the program being charged and a requirement for the employee's certifying signature on the time cards or time records to record employees' hours every pay period.

#### **Action Taken:**

Pursuant to OMB Circular A-87 which establishes principles and standard for determining allowable direct and indirect costs for federal awards and Attachment B, Section 8 Compensation for Personal Services, Feather River Tribal Health, Inc. has re-designed its employee time sheets to ensure that each department reports its time according to the revenue source responsible for payment. Employees who work on a single Federal award or cost objective, now charge their work hours by recording their time under the correct cost center. Each time sheet must be signed off each pay period (bi-weekly) by the employee and employee's supervisor with the statement: Employees that have more than one cost center will identify and report the correct number of hours for each cost objective.

"By signing this time sheet, I certify this time sheet to be true and accurate and acknowledge that I have received my breaks and lunch time as required by law."

Separate timesheets have been developed for each department in order to ensure that the correct cost center is charged. Cost centers have been identified as:

Indian Health Service	Special Diabetes Program for Indians
State Indian Health Program	Nutrition (3 <sup>rd</sup> party program)
Cal Works	CHAT
Butte Co. Child Abuse	SAMSHA (CCOC)
FOCIS	Third Party

A breakdown by department and individual employee has been prepared to show how the employee's time is being allocated. A copy of the breakdown by department and employee is attached to this corrective action plan.

Upon completion and submission of the time sheet by the employee, the Fiscal Department reviews the time sheet for accuracy and completeness. Fiscal staff then completes the data entry for payroll through the agency's payroll accounting system.

Following the submission of payroll through the agency's payroll accounting system, a journal entry is prepared and posted to the accounting system that distributes the employee hours to the correct cost center.

Previously, the hours were posted to third party by the Accounting Manager and then the Fiscal Officer would allocate the cost to the appropriate cost center. This practice has been eliminated.